

Message Text

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ACTION EB-08

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AMCONSUL ADANA POUCH
AMCONSUL ISTANBUL POUCH
AMCONSUL IZMIR POUCH

UNCLAS SECTION 1 OF 2 ANKARA 1331

USDOC FOR INVESTMENT POLICY DIVISION

OECD

E.O. 11652: NA
TAGS: EINV, EFIN, EIND, ELAB, TU
SUBJ: INVESTMENT CLIMATE STATEMENT

REF: 77 STATE 244738 (NOTAL)

1. THERE FOLLOWS UPDATED INVESTMENT CLIMATE STATEMENT FOR TURKEY.
EMBASSY REGRETS UNAVOIDABLY LATE SUBMISSION.

2. ATTITUDES. TURKEY'S OFFICIAL ATTITUDE TOWARD FOREIGN INVESTMNT,
AS REFLECTED IN LEGISLATION ON THE BOOKS, IS ONE OF GENERAL
ENCOURAGEMENT. HOWEVER, THE DECISION-MAKING PROCESS FOR EVALUATING
FOREIGN INVESTMENT APPLICATIONS IS SO COMPLEX AND TIME-CONSUMING
THAT, IN PRACTICE, THE RESULT IS THE OPPOSITE. WHILE ACKNOWLEDGING
THE IMPORTANCE OF FOREIGN INVESTMENT, PARTICULARLY IN VIEW OF THE
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PRESENT STATE OF THE ECONOMY, TURKISH AUTHORITIES STILL SEEM TO
CONSIDER SUCH INVESTMENT WITH HESITATION AND SUSPICION: THERE IS
A LINGERING FEAR THAT, SHOULD THE GATES TO FOREIGN CAPITAL BE
OPENED, THE FLOW MIGHT BECOME A FLOOD AND TURKISH CONTROL BE LOST.
THIS FUNDAMENTAL FACT SHOULD BE KEPT IN MIND IN INTERPRETING THE
INFORMATION THAT FOLLOWS.

3. LAWS. THE PRINCIPAL LAW GOVERNING FOREIGN INVESTMENTS, EXCEPT IN PETROLEUM ACTIVITIES, IS LAW NO 6224 FOR THE ENCOURAGEMENT OF FOREIGN CAPITAL, PASSED IN 1954 AND SUPERFICIALLY ONE OF MOST LIBERAL OF ITS KIND IN EXISTENCE. IN PRINCIPAL, IT PERMITS VIRTUALLY ALL KINDS OF FOREIGN INVESTMENT PROVIDED THE INVESTMENT CONTRIBUTES TO THE ECONOMIC DEVELOPMENT OF THE COUNTRY, IS RELATED TO AN ACTIVITY OPEN TO TO TURKISH PRIVATE ENTERPRISE, AND DOES NOT INVOLVE MONOPOLY OR SPECIAL PRIVILEGE. OTHER IMPORTANT LAWS ON FOREIGN INVESTMENT ARE DECREE 17 REGARDING THE PROTECTION OF THE VALUE OF TURKISH CURRENCY, WHICH REGULATES PROFIT REMITTANCES AUTHORIZED UNDER LAW NO 6224; LAW NO 6326 CONTROLLING ALL INVESTMENT IN PETROLEUM, AND LAW NO 6309 REGULATING PERMITS AND OPERATING RIGHTS PERTAINING TO MINING EXPLORATION, PRODUCTION AND CONCESSIONS.

4. APPLICATIONS. IN ALL AREAS OF FOREIGN INVESTMENT EXCEPT PETROLEUM, APPLICATION IS MADE TO THE MINISTRY OF COMMERCE. IN THE CASE OF INVESTMENTS IN THE PETROLEUM FIELD, APPLICATION IS MADE TO THE MINISTRY OF ENERGY AND NATURAL RESOURCES. THE STATE PLANNING ORGANIZATION ALSO PLAYS AN IMPORTANT ROLE IN PROCESSING THE APPLICATION FROM THE POINT OF VIEW OF ITS RELEVANCE TO DEVELOPMENT POLICY AND PRIORITIES. AN IMPLEMENTING DECREE RATIFIED BY THE COUNCIL OF MINISTERS IS THE FINAL STEP IN THE PROCEDURE. THIS DECREE SPECIFIES ALL ESSENTIALS WITH RESPECT TO CAPITAL, CAPACITIES, EXPORT REQUIREMENTS, AND ANY SPECIAL CONDITIONS REGARDING PROFIT REMITTANCE. AGAINST THIS DOCUMENT, THE OPERATION OF THE VENTURE IS ASSESSED EVERY YEAR BY THE MINISTRIES OF COMMERCE AND FINANCE.

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ANY CHANGES IN CAPITAL OR PRODUCTION CAPACITY ALSO REQUIRE A COUNCIL OF MINISTERS DECREE.

5. IMPLEMENTATION. TURKEY IS INCREASINGLY SELECTIVE IN EVALUATING FOREIGN INVESTMENT APPLICATIONS IN ORDER TO ENSURE THAT THE INVESTMENT IS CONSISTENT WITH CURRENT INDUSTRIALIZATION AND FOREIGN EXCHANGE TARGETS. THE MOST IMPORTANT CRITERIA ARE THAT THE INVESTMENT CONTRIBUTE ADVANCED TECHNOLOGY AND THAT IT BE EXPORT ORIENTED. OTHER SPECIFIC POINTS CONSIDERED ARE THE INVESTMENTS CAPABILITY OF GENERATING HIGH ADDED VALUE; ITS EMPLOYMENT CREATION POTENTIAL, PARTICULARLY IN LESS DEVELOPED AREAS OF THE COUNTRY; THE DEGREE TO WHICH IT WILL UTILIZE IDLE RESOURCES, ITS CONTRIBUTION TO THE DEVELOPMENT OF RELATED INDUSTRIES; AND THE INVESTMENT'S COMPETITIVENESS IN THE EEC INDUSTRIAL MARKET. CURRENTLY THE HIGHEST PRIORITY SECTORS ARE MACHINERY MANUFACTURING AND THE CHEMICAL AND ELECTROMECHANICAL INDUSTRIES. CONSUMERS GOODS INDUSTRIES ARE NOT ENCOURAGED.

6. OWNERSHIP. IN PRINCIPLE, TURKEY'S INVESTMENT LAWS DO NOT SPECIFY PROPORTIONS OF OWNERSHIP; IT IS THUS POSSIBLE FOR FOREIGNERS TO INVEST IN EITHER WHOLLY-OWNED OR JOINT-VENTURE PROJECTS. HOWEVER, IN THE CASE OF WHOLLY-OWNED PROJECTS, THE

JUSTIFICATION FOR FOREIGN OWNERSHIP MUST BE VERY STRONG AND HEAVILY BASED UPON TURKEY'S TOP PRIORITIES WITH RESPECT TO PROJECT SELECTION, AND SHOULD PROVIDE THE MOST ADVANCED TECHNOLOGY AS WELL AS A SUBSTANTIAL AND IMMEDIATE POTENTIAL TO GENERATE FOREIGN EXCHANGE. WHILE LEGALLY THERE IS NO SET LIMIT AS TO THE PROPORTIONS OF FOREIGN AND LOCAL CAPITAL IN JOINT VENTURES, IN PRACTICE THE OFFICIAL PREFERENCE IS FOR MAJORITY LOCAL SHARE. PARTICIPATION IN MANAGEMENT IS PROPORTIONAL TO CAPITAL SHARES; THE TOP MANAGERIAL POSITION IS GENERALLY ASSIGNED TO THE BIGGEST CAPITAL HOLDER. AND THOUGH THERE IS ALSO NO LEGAL LIMIT AS TO THE NUMBER OF FOREIGN PERSONNEL TO BE EMPLOYED IN A JOINT-VENTURE COMPANY, THE NUMBER OF SUCH PERSONNEL IS DETERMINED IN THE COURSE OF NEGOTIATIONS WITH THE MINISTRY OF COMMERCE AND APPROVED BY THE STATE PLANNING ORGANIZATION. A GRADUAL DECREASE IN THE NUMBER OF FOREIGN PERSONNEL IS REQUIRED EVERY YEAR

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ALONG WITH THE TRAINING OF LOCAL PERSONNEL TO EVENTUALLY REPLACE THE FOREIGN PERSONNEL.

7. LABOR AND EMPLOYMENT. TURKISH LABOR LAW AND PRACTICE PROVIDE NO SPECIAL TREATMENT FOR FOREIGN INVESTORS. ON THE CONTRARY TURKISH LABOR LAW AND PRACTICE, INCLUDING THE SOCIAL INSURANCE SYSTEMS, HAVE BEEN EXPLICITLY DEVELOPED TO PROTECT THE INTERESTS OF TURKISH WORKERS AND TO PROVIDE SOCIAL BENEFITS IN A TURKISH ENVIRONMENT. FOREIGN INVESTORS MUST ABIDE BY THE SYSTEM AND ADJUST THEMSELVES TO PREVAILING PRACTICES, CERTAIN FEATURES OF WHICH ARE SOMETIMES ONEROUS. FOREIGN INVESTORS WILL FIND MANY FAMILIAR

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 751

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FEATURES IN THE TURKISH LABOR SCENE, AS THE CONCETS WERE
ORIGINALLY BORROWED FROM ABROAD, MAINLY EUROPE AND THE UNITED
STATES. THESE INCLUDE: HEALTH AND SFETY STANDARDS, RESTRICTIONS
ON EMPLOYMENT OF CHILD LABOR, METHODS OF NEGOTIATION, MEDIATION AND
CONCILIATION, CHECK-OFF OF UNION DUES, MINIMUM WAGES AND SOCIAL
INSURANCE PAYMENTS SHARED BETWEEN THE EMPLOYER (15.5 PERCENT)
AND THE WORKER (12 PERCENT). ON THE OTHER HAND FOREIGN INVESTORS
WILL FIND FEATURES TO WHICH THEY MAY NOT BE ACCUSTOMED, SUCH AS:
APPROXIMATELY 25 DIFFERENT CATEGORIES OF FRINGE BENEFITS (E.G.
ALLOWANCES FOR BIRTHS, MARRIAGE, DEATH, EDUCATION, SHOES, LUNCH
ETC); " SOCIAL BENEFITS" (E.G. ALLOWANCES FOR FUEL, RELIGIOUS
HOLIDAYS ANDVACATIONS--SUPPLEMENTAL TO PAID ANNUAL LEAVE);
BONUSES (EXTRA MONTHS' PAY PER ANNUM FROM THREE UP TO A HIGH OF 9);
AND SEVERANCE PAY (AT LEAST 30--AVERAGE 45--DAYS PAY FOR EACH
YEAR A WORKER HAS WORKED FOR AN EMPLOYER UP TO A NEGOTIATED MAXIMUM
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LIMIT (OR NOT LIMIT) BUT AT LEAST SEVEN AND ONE-HALF TIMES THE
MINIMUM WAGE); PAYMENT FOR THE "WEEKLY DAY OF REST", WHICH MEANS
A MONTH IS UNIVERSALLY CALCUALTED AT 30 DAYS. FOREIGN INVESTORS
SHOULD ALSO BE AWARE THAT TURKISH LAW NO. 2007 OF JUNE 1932
SPECIFICALLY RESERVES MOST OCCUPATIONS TO TURKISH CITIZENS.
ALIENS MAY APPLY FOR WORK PERMITS, BUT THESE ARE VERY DIFFICULT
TO OBTAIN AS THEY WILL NOT BE ISSUED IF A TURKISH WORKER IS
AVAILABLE WITH THE REQUISITE SKILL. ONLY SPECIAL SKILLS IN SHORT
SUPPLY OR NON-EXISTENT IN TURKEY WILL QUALIFY AN ALIEN FOR A WORK
PERMIT.

8. STATISTICS. AT THE END OF 1976, 20 US FIRMS HAD A TOTAL OF
ROUGHLY TL 400 MILLION (\$25 MILLION) INVESTMENT IN PLACE IN TURKEY
UNDER LAW NO. 6224(NON-PETROLEUM). THIS IS SECOND TO BOTH THE FRG
INTERMS OF NUMBERS OF FIRMS (THE FRG HAD 24) AND TO THE FRENCH
IN TERMS OF VALUE (WITH A RECENTLY EXPANDED JOINT VENTURE PRODUCING
RENAULT AUTOMOBILES, FRENCH INVESTMENT NOW TOTALS TL 410 MILLION).
THE LARGEST TOTAL U.S. INVESTMENT IN THE NON-PETROLEUM SECTOR IS
IN TIRE MANUFACTURING. OTHERS ARE IN PHARMACEUTICALS, SOFT DRINKS,
VEHICLE ASSEMBLY, AND MISCELLANEOUS MANUFACTURING. IN
THE PETROLEUM SECTOR US INVESTMENT IS ESTIMATED AT ABOUT \$80
MILLION. THERE ARE ALSO SIZEABLE BRITISH AND BRITISH-DUTCH

PETROLEUM INVESTMENTS IN TURKEY.
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